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NEW NORTH

Resources Ltd.

1995 Annual Report

Corporate Information

Directors

J. Dawn Browne,
Calgary, Alberta (1)

Robert S. Clegg,
Calgary, Alberta (1)

Thomas Jack Hall,
Calgary, Alberta

Bonnie C. Hall-Staples
Calgary, Alberta (1)

(1) Audit Committee

Officers and Senior Personnel

Thomas Jack Hall
President

Bonnie C. Hall-Staples
Secretary-Treasurer

J. Dawn Browne
Land Consultant

Head Office

Suite 1250 Sun Life Plaza III
112 - 4th Avenue S.W.
Calgary, Alberta
T2P 0H3

Telephone: (403) 294-7250

Fax: (403) 294-7272

Auditors

KPMG Peat Marwick Thorne
Chartered Accountants
1200 Bow Valley Square Two
205 - 5th Avenue S.W.
Calgary, Alberta
T2P 4B9

Registrar and Transfer Agent

Montreal Trust
6th Floor, 530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3S8

Solicitors

Howard, Mackie
1000 Canterra Tower
400 - 3rd Avenue S.W.
Calgary, Alberta
T2P 4H2

Banker

Bank of Montreal
350 - 7th Avenue S.W.
Calgary, Alberta
T2P 3N9

Stock Exchange Listings

The Alberta Stock Exchange
Trading Symbol Common Shares: NNT

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders of New North Resources Ltd. will be held in the Meeting Room of Sun Life Plaza West Tower on the 3rd floor, 144 - 4th Avenue S.W., Calgary, Alberta on Tuesday, the 18th day of June, 1996 at 10:00 a.m. (local time.)

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To the Shareholders:

In its 1994 Annual Report, New North Resources predicted an exciting and busy 1995. The Company is pleased to report to its shareholders in this second Annual Report those significant events that made 1995 and early 1996 an exciting and busy time.

At a special meeting of shareholders of the Company held on March 19, 1996, the shareholders authorized the acquisition by New North of certain producing and prospective oil and gas properties located in the Province of Alberta which acquisition constitutes the Company's major transaction as prescribed by the Alberta Securities Commission and The Alberta Stock Exchange. The effective date of this acquisition is January 1, 1996 and following the closing date of the major transaction, production from these properties has provided New North with immediate cash flow.

Effective April 2, 1996, Yorkton Securities Inc. exercised its option to acquire 270,000 shares in the capital stock of New North at an exercise price of \$0.10 per share. The option had been granted to Yorkton in consideration of it acting as agent on the Company's initial public offering. This transaction resulted in a payment to New North of \$27,000.00.

During 1995, the Company retained the services of a geologist to assist in the ongoing program of identifying and evaluating for acquisition low risk oil and gas prospects. The Company now has access to a full range of services including land, engineering, accounting and administration.

Once again, I wish to acknowledge the contribution of those directors and officers who have freely given a great deal of time and effort to the business and affairs of New North.

We look forward to reporting the Company's progress in the ensuing reporting periods.

On behalf of the Board of Directors,

A handwritten signature in dark ink, appearing to read "J. Hall", with a large, stylized flourish at the end.

Thomas J. (Jack) Hall
President and Chairman of the Board

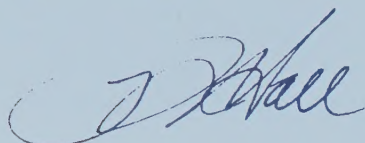
May 3, 1996

Management Report

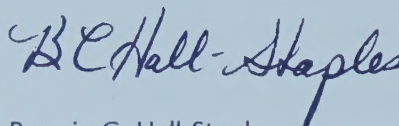
Management is responsible for the preparation of the financial statements and for the consistency therewith of all other financial and operating data presented in this annual report.

The Company maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely information.

External auditors, appointed by the shareholders, have examined the financial statements. The Audit Committee, consisting of a majority of non-management directors, has reviewed these statements with management and the auditors and has reported to the Board of Directors. The Board has approved the financial statements.



Thomas Jack Hall
President and
Chief Executive Officer



Bonnie C. Hall-Staples
Secretary-Treasurer and
Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the balance sheets of New North Resources Ltd. as at December 31, 1995 and 1994 and the statements of loss and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Calgary, Canada
March 19, 1995

NEW NORTH RESOURCES LTD.

Balance Sheets

December 31, 1995 and 1994

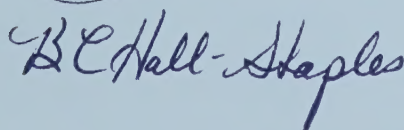
	1995	1994
Assets		
Current assets:		
Cash and interest bearing deposits	\$ 173,464	\$ 200,676
Accounts receivable	1,703	9,320
	175,167	209,996
Capital assets:		
Petroleum and natural gas properties, at cost	124,532	112,526
Less accumulated depletion and depreciation	(112,532)	(100,526)
	12,000	12,000
	\$ 187,167	\$ 221,996
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,005	\$ 27,008
Shareholders' equity:		
Common shares (note 3)	294,496	293,996
Deficit	(114,334)	(99,008)
	180,162	194,988
Subsequent event (note 5)		
	\$ 187,167	\$ 221,996

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

NEW NORTH RESOURCES LTD.

Statements of Loss and Deficit

Years ended December 31, 1995 and 1994

	1995	1994
Revenue:		
Product sales	\$ 7,684	\$ -
Interest	11,122	3,873
	18,806	3,873
Expenses:		
Administrative	12,931	2,355
Operating costs	9,195	-
Depletion and depreciation	2,006	-
Write-down of petroleum and natural gas property	10,000	100,526
	34,132	102,881
Loss for the year	(15,326)	(99,008)
Deficit, beginning of year	(99,008)	-
Deficit, end of year	\$ (114,334)	\$ (99,008)
Loss per common share	\$ -	\$ (0.02)

See accompanying notes to financial statements.

NEW NORTH RESOURCES LTD.

Statements of Changes in Financial Position

Years ended December 31, 1995 and 1994

	1995	1994
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (15,326)	\$ (99,008)
Depletion and depreciation	2,006	-
Write-down of petroleum and natural gas properties	10,000	100,526
Changes in non-cash working capital balances	3,573	(2,471)
	253	(953)
Financing:		
Share issue	500	293,996
Investments:		
Additions to capital assets	(12,006)	(112,526)
Changes in non-cash working capital balances	(15,959)	20,159
	(27,965)	(92,367)
Increase (decrease) in cash	(27,212)	200,676
Cash, beginning of year	200,676	-
Cash, end of year	\$ 173,464	\$ 200,676

See accompanying notes to financial statements.

NEW NORTH RESOURCES LTD.

Notes to Financial Statements

Years ended December 31, 1995 and 1994

1. General:

New North Resources Ltd. was incorporated on May 9, 1994 and commenced operations in September 1994. To date, the Company's activities consist of developing an oil and gas property at Barons, Alberta.

2. Significant accounting policies:

(a) Petroleum and natural gas operations:

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to acquisition, exploration and development activities.

All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are depleted and depreciated by the unit of production method based on estimated gross proven reserves.

Costs of acquiring unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

The total capitalized costs, less accumulated depletion and depreciation, future site restoration and deferred taxes, are limited to an amount equal to the estimated future net revenue from proved reserves, plus the cost (net of impairments) of unproved properties, less estimated future site restoration costs, future administrative expenses, financing costs and taxes.

The exploration and development activities are conducted jointly with others. The accounts reflect only the Company's proportional interest in such activities.

(b) Future site restoration costs:

Estimated future site restoration costs are provided for using the unit-of-production method based on estimated gross proven reserves. Costs are estimated by the Company based on current regulations, costs, technology and industry standards.

3. Share capital:

The Company is authorized to issue an unlimited number of common shares without nominal or par value. During the period from incorporation to December 31, 1995 the Company has issued shares as follows:

	Number	Amount
On incorporation	1,500,000	\$ 75,000
Public offering	2,700,000	270,000
Less: share issue costs		(51,004)
Balance, December 31, 1994	4,200,000	293,996
Share issue costs reduction		500
Balance, December 31, 1995	4,200,000	\$ 294,496

The Company has established a stock option plan for its directors and officers and has granted options to purchase 420,000 common shares at a price of \$0.10 per share until June 17, 1999.

The Company granted an agent a non-transferable common share purchase option to purchase 270,000 common shares at a price of \$0.10 per share. The option expires in April 1996.

4. Income taxes:

At December 31, 1995 the Company has share issue costs of \$48,986 and resource tax pools of \$124,532 available to apply against future years' taxable income.

5. Subsequent event:

Subsequent to December 31, 1995, the Company announced its intention to acquire certain oil and gas assets from a related company, Alberta Gas Products Ltd., for \$443,700. The acquisition will be funded from cash on hand and a \$280,000 bank loan.

